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# FY11 Pharmacy Rates, An Overview of the UBO Pharmacy Rate Development Process

12 Jul 2011 @ 0800 and 14 Jul 2011 @ 1400

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# Presentation Objectives

- Introduce key concepts and definitions for understanding UBO Pharmacy Rates
- Provide background on rate-setting methodology
- Highlight Pharmacy Rate File details
- Demonstrate the Pharmacy Pricing Tool Estimator (PPET)
- Answer your questions



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# UBO Pharmacy Pricing Policy Disclaimer

- The UBO Pharmacy Rate File **does not** limit availability of pharmaceuticals
- It establishes which pharmaceuticals can be billed
- It establishes rate charged if billed





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## Pharmacy Rate Setting Terminology

- The Generic Sequence Number (GSN) refers to a set of National Drug Codes (NDCs) that have the same:
  - Active ingredient(s)
  - Strength
  - Dosage form
- For each GSN cohort, the unit measure price (e.g., price per pill, price per ml, price for each) for each individual NDC is used to determine the overall unit measure price for the GSN
- The GSN unit measure price is then used to price the individual NDCs in the UBO pharmacy rate file



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## Pharmacy Rate Setting Terminology, cont.

### **Prime Vendor Program (PVP)**

- Reflects actual negotiated contract prices between the federal government and pharmaceutical vendors

### **Average Wholesale Price (AWP)**

- Used currently by TRICARE, Medicaid, most commercial payers, and historically by Medicare
- Data widely available (Red Book, Blue Book)
- Not defined by law or regulation
- Does not account for the discounts available to various payers nor reflects actual costs





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# Current Sources for Pharmacy Pricing Data

**Two data sources are used for setting UBO pharmacy rates:**

## **1. The Managed Care Pricing File (MCPF)**

- A monthly pharmacy data file developed by the Defense Supply Center in Philadelphia (DSC-P)
- Is the basis for current pharmacy rates
- Is modified from its original form (sent by First Databank) to include data such as Prime Vendor Pricing

## **2. The Pharmacy Data Transaction Service (PDTS)**

- PDTS houses pharmacy transactions that provide health care to MHS beneficiaries regardless of dispensing method
- MHS dispensing methods are categorized as: MTF-dispensed, civilian retail pharmacy networks, and TRICARE Mail Order Pharmacy (TMOP)



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## Current Sources for Pharmacy Pricing Data, cont.

### Managed Care Pricing File (MCPF) Details:

- Provided by the Defense Supply Center, Philadelphia (DSC-P) and is the raw source of pharmaceutical data for the UBO pharmacy rate development process
- Provides Average Wholesale Price (AWP), Prime Vendor Program (PVP) or Federal Supply Service (FSS) cost data for each National Drug Code (NDC)
- MCPF AWP is reduced 15% from the original AWP cost supplied by First Databank (which provides the raw monthly Rx data to DSC-P)
- Unit measure cost (i.e., cost per pill) is derived from the NDC, cost and the package size/case pack size
- The UBO pharmacy rate file includes both prescription (formulary) and over-the-counter (OTC) pharmaceuticals





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## Current Sources for Pharmacy Pricing Data, cont.

### Pharmacy Data Transaction Service (PDTS) Details:

- The PDTS database represents pharmacy transactions that provide health care to MHS beneficiaries regardless of the method of dispensing (i.e., MTF-dispensed, civilian retail pharmacy networks, and TRICARE Mail Order Pharmacy (TMOP)\*)
- When a pharmaceutical is dispensed through the civilian retail pharmacy network, the MHS receives a record of that script, which is housed within PDTS
- Dispensing record includes Submitted Ingredient Cost (the dollar amount allowed by TRICARE) which is defined as: the pharmaceutical ingredient cost as negotiated by the PBM (Pharmacy Benefit Manager) and the pharmacy\*

\* SOURCE: Pharmacy Data Transaction Service (PDTS) Interface Control Document Describing the Data Exchange to the MDR Baseline - Approved Version March 23, 2007.





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## Current Sources for Pharmacy Pricing Data, cont.

### Benefits of Using Retail PDTS Data

- PDTS retail prices provide an accurate snapshot of TRICARE retail pharmacy reimbursement
- PDTS data is part of a standard corporate system and is available and auditable



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## UBO Pharmacy Pricing Objective

To develop a UBO pharmacy rate methodology that will price pharmaceuticals in a manner comparable to what TRICARE will allow for similar pharmaceuticals

- Methodology must be developed based on readily available MHS data sources
- Methodology must be readily applicable to the broad spectrum of pharmaceuticals used in the MHS – i.e., all of the NDCs in the Managed Care Pricing File (MCPF)
- Methodology must be auditable





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## UBO Pharmacy Pricing History

| Period                 | Unit Measure<br>Price of All NDCs<br>with a GSN | Dispensing Fee | Other                             |
|------------------------|---|----------------|-----------------------------------|
| 2004 & 2005            | Lowest  | Added          | Includes OTCs                     |
| 2006                   | Median  | Added          | Includes OTCs                     |
| Jul 2007               | Median AWP                                      | None           | Excludes OTCs                     |
| Jan 2008               | Median AWP                                      | None           | Includes<br>diabetic OTCs<br>only |
| Oct 2008               | Median AWP                                      | None           | Includes OTCs                     |
| Jan 2010 - Feb<br>2011 | Median Retail PDTs                              | \$2.00         | Includes OTCs                     |



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# UBO Pharmacy Pricing Methodology

## General Rules

Unit of measure (i.e., per tablet price) is median Average Wholesale Price (AWP) of all National Drug Codes (NDCs) within a Generic Sequence Number (GSN). That rate applies to all NDCs within that GSN.

- A GSN is a grouping of all NDCs with the same active ingredient(s), strength, and dosage form
- If no AWP for a GSN, then the median Prime Vendor Price (PVP) is used
- The AWP includes supply, personnel, and facility costs





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## UBO Pharmacy Pricing Methodology, cont.

### Current UBO Retail PDTs Pharmacy Rating Methodology:

- Begin with a monthly full release of the DSC-P Managed Care Pricing File (e.g., for the August 2011 rate update, the 1 May 2011 MCPF release was the source data file)
- Group NDCs by Generic Sequence Number (GSN) and Unit of Measure (UM) into cohorts
- Median unit measure price based on AWP-priced NDCs is determined for each cohort and applied to all NDCs in the cohort. **If there is not at least one AWP-priced NDC in the cohort, the median unit measure price based on PVP-priced NDCs is determined for each cohort and applied to all NDCs in the cohort**
- The raw file is then processed to apply median AWP (or PVP) prices to all NDCs in the GSN/UM cohorts



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## UBO Pharmacy Pricing Methodology, cont.

### Current UBO Retail PDTs Pharmacy Rating Methodology:

- Extract the Retail PDTs data set (Using Source System = "M") including fields: NDC, Ingredient Cost, and Quantity Dispensed
- Calculate retail PDTs unit measure prices at a NDC level for the approx. 30,000 drugs by dividing ingredient cost by quantity
- Group the retail PDTs unit measure prices by NDC into their respective GSN cohorts
- Calculate the median PDTs Retail unit measure price for each GSN cohort (of grouped NDCs) and create a unique table of GSN and PDTs median unit measure prices





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## UBO Pharmacy Pricing Methodology, cont.

### Current UBO Retail PDTS Pharmacy Rating Methodology:

- Apply the derived GSN PDTS Retail unit measure prices to all NDCs in the MCPF where the GSN of the NDC in the MCPF matches a GSN in the PDTS Retail set
- Calculate the average dispensing fee based on PDTS Retail scripts filled by dividing the total dispensing dollar amount by the number of retail scripts
- Determine the final charge as the sum of the NDC unit measure price applied to the quantity dispensed plus a dispensing fee



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## UBO Pharmacy Pricing Methodology, cont.

### Current UBO Retail PDTs Pharmacy Rating Methodology:

- Within the OTC pharmaceuticals there are a number of GSNs that DO NOT contain set of homogeneous products.
- There are 10 GSNs (which contain approximately 728 NDCs) for miscellaneous products that contain significantly large variances in unit prices:

| Generic Sequence Number | Generic Ingredient Name Description |
|-------------------------|-------------------------------------|
| 010799                  | IV INFUSION PUMP                    |
| 010800                  | IV INFUSION PUMP                    |
| 010828                  | IV EQUIPMENT                        |
| 010926                  | CONTAINER, EMPTY                    |
| 010959                  | MISCELLANEOUS MEDICAL SUPPLY        |
| 011095                  | MISCELLANEOUS MEDICAL SUPPLY        |
| 023835                  | NEBULIZER ACCESSORIES               |
| 023868                  | NEBULIZER/COMPRESSOR                |
| 064092                  | MEDICAL INFORMATION ID TAG          |
| 007076                  | EMOLLIENT                           |





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## UBO Pharmacy Pricing Methodology, cont.

### **Current UBO Retail PDTs Pharmacy Rating Methodology:**

The UBO Program Office has adopted the following business rules for the Rx Rate File update effective August 2011:

- 1) That all unit NDC prices within these 10 OTC GSNs will NOT be priced according to median GSN methodology.
- 2) That all unit NDC prices within these 10 OTC GSNs will retain their original unit price as stated in the MCPF unless there is PDTs experience for that NDC. If there is PDTs experience it will be used to set the unit prices.
- 3) All Unit NDC Prices for other GSNs will follow median GSN methodology.



# Sample UBO Pharmacy Rate File

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| NDC         | NAME                         | DOSE FORM | RX STRENGTH | 0909 UNIT PRICE | PRICING FLAG             |
|-------------|------------------------------|-----------|-------------|-----------------|--------------------------|
| 00002060440 | SEROMYCIN 250 MG PULVULE     | CA        |             | \$5.24          | PDTS PRICE SOURCE        |
| 00002140701 | QUINIDINE GLUC 80 MG/ML VIAL | HV        |             | \$1.34          | SINGLE SOURCE PRICE USED |
| 00002148501 | CAPASTAT SULFATE 1 GM VIAL   | HS        |             | \$22.61         | AWP PRICE USED           |
| 00002300475 | PROZAC WEEKLY 90 MG CAPSULE  | CE        |             | \$14.30         | PDTS PRICE SOURCE        |
| 00002314530 | AXID 300 MG PULVULE          | CA        |             | \$1.27          | PDTS PRICE SOURCE        |
| 00002322730 | STRATTERA 10 MG CAPSULE      | CA        |             | \$4.47          | PDTS PRICE SOURCE        |
| 00002322830 | STRATTERA 25 MG CAPSULE      | CA        |             | \$2.24          | PDTS PRICE SOURCE        |
| 00002322930 | STRATTERA 40 MG CAPSULE      | CA        |             | \$4.76          | PDTS PRICE SOURCE        |
| 00002323030 | SYMBYAX 3-25 MG CAPSULE      | CA        |             | \$7.42          | PDTS PRICE SOURCE        |
| 00002323101 | SYMBYAX 6-25 MG CAPSULE      | CA        |             | \$10.20         | PDTS PRICE SOURCE        |
| 00002323130 | SYMBYAX 6-25 MG CAPSULE      | CA        |             | \$10.20         | PDTS PRICE SOURCE        |
| 00002323133 | SYMBYAX 6-25 MG CAPSULE      | CA        |             | \$10.20         | PDTS PRICE SOURCE        |
| 00002323201 | SYMBYAX 12-25 MG CAPSULE     | CA        |             | \$15.34         | PDTS PRICE SOURCE        |
| 00002323230 | SYMBYAX 12-25 MG CAPSULE     | CA        |             | \$15.34         | PDTS PRICE SOURCE        |
| 00002323233 | SYMBYAX 12-25 MG CAPSULE     | CA        |             | \$15.34         | PDTS PRICE SOURCE        |
| 00002323301 | SYMBYAX 6-50 MG CAPSULE      | CA        |             | \$10.19         | PDTS PRICE SOURCE        |
| 00002323330 | SYMBYAX 6-50 MG CAPSULE      | CA        |             | \$10.19         | PDTS PRICE SOURCE        |
| 00002323333 | SYMBYAX 6-50 MG CAPSULE      | CA        |             | \$10.19         | PDTS PRICE SOURCE        |
| 00002323401 | SYMBYAX 12-50 MG CAPSULE     | CA        |             | \$15.41         | PDTS PRICE SOURCE        |
| 00002323430 | SYMBYAX 12-50 MG CAPSULE     | CA        |             | \$15.41         | PDTS PRICE SOURCE        |
| 00002323433 | SYMBYAX 12-50 MG CAPSULE     | CA        |             | \$15.41         | PDTS PRICE SOURCE        |
| 00002323560 | CYMBALTA 20 MG CAPSULE       | CE        |             | \$3.71          | PDTS PRICE SOURCE        |
| 00002323701 | CYMBALTA 60 MG CAPSULE       | CE        |             | \$4.09          | PDTS PRICE SOURCE        |
| 00002323704 | CYMBALTA 60 MG CAPSULE       | CE        |             | \$4.09          | PDTS PRICE SOURCE        |
| 00002323730 | CYMBALTA 60 MG CAPSULE       | CE        |             | \$4.09          | PDTS PRICE SOURCE        |
| 00002323733 | CYMBALTA 60 MG CAPSULE       | CE        |             | \$4.09          | PDTS PRICE SOURCE        |
| 00002323734 | CYMBALTA 60 MG CAPSULE       | CE        |             | \$4.09          | PDTS PRICE SOURCE        |
| 00002323830 | STRATTERA 18 MG CAPSULE      | CA        |             | \$4.47          | PDTS PRICE SOURCE        |





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## August 2011 Pharmacy Rate File Summary

- The August 2011 UBO pharmacy rate file is
  - Based on the May 2011 Managed Care Pricing File (MCPF)
  - Contains unit measure rates for 132,359 NDCs
    - 28% of the NDCs (36,784) are priced based on median AWP pricing
    - 68% of the NDCs (90,387) are priced based on PDTS median pricing
    - <1% of the NDCs (480) are priced based on median PVP pricing
    - <1% of the NDCs (728) retain their original OTC pricing (no unit price change)
    - 3% of the NDCs (3,911) are priced based on single source pricing



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## August 2010 Pharmacy Rate File Summary, cont.

- Breakdown of the 36,784 NDCs NOT priced using Retail PDTs median pricing:
  - Approximately 80% are Over-the-Counter NDCs (generally not a MHS covered benefit)
  - Approximately 20% are Formulary (require a prescription) NDCs
- The Managed Care Pricing File (MCPF) database field CL\_CD identifies whether these NDCs are over-the-counter drugs or formulary drugs. This is an original data field in the MCPF.





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## UBO PDTS Retail Dispensing Fee Methodology

UBO per script dispensing fee is determined utilizing the same PDTS Retail Rate calculation methodology:

- Query the PDTS database using SAS program
- Extract the following fields: FY, Source System (= 'M'), NDC, Dispensing Fee, Number of Scripts
- Divide the Total Dispensing Fee Cost (\$ amount) by the total number of scripts (cost and script count limited to only retail-filled scripts)
- Round resulting Average Retail Dispensing Fee up to the nearest dollar, e.g., \$2.00



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# Pharmacy Pricing Estimator Tool (PPET)

## **Determines Pharmaceutical Pricing Prospectively:**

- Problem: Patients may not have MHS pharmaceutical pricing data and therefore cannot compare costs
- Proposed solution: MTF pharmacy can work with MTF UBO to make PPET available to paying patients so that they can input data and compare costs
- The current PPET, effective 8 August 2011, is available at the UBO Web site:  
[http://www.tricare.mil/ocfo/mcfs/ubo/mhs\\_rates/pharmacy.cfm](http://www.tricare.mil/ocfo/mcfs/ubo/mhs_rates/pharmacy.cfm)





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## Pharmacy Pricing Estimator Tool (PPET)

- A Microsoft Access-based tool available to all users from their desktops
- Patients can research prescription costs and compare prices
- Can search by drug name or NDC
- Resulting total cost is the unit price in the pharmacy rate file multiplied by the quantity plus \$2.00 per script dispensing fee
- The TRICARE UBO Program Office releases a new version of the PPET along with each annual pharmacy rate table update



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# Pharmacy Pricing Estimator Tool (PPET)

## Interactive Tool Demonstration





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# QUESTIONS ?



Please contact the UBO Helpdesk if you have any questions or concerns at (703) 575-5385 or [UBO.helpdesk@altarum.org](mailto:UBO.helpdesk@altarum.org).

